

REC'D #

MAILING AND RECORD SHEET

SUBJECT:

FROM:

Executive Officer to
7D24 Headquarters

DDA

EXTENSION

TEL.

W/ 25-3414/2

DATE 7 November 1985

TO. (Officer designation, room number, and building)

DATE

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OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Deputy Chief, Legislative Division, OLL
7B24 Headquarters

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7 November 1985
DDA 85-3785/2

MEMORANDUM FOR: Comptroller
Deputy Chief, Legislative Division,
Office of Legislative Liaison

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Committee Report on Department of Defense Appropriations
Bill for FY 86 Concerning Procurement Reform for the
Intelligence Community

Harry E. Fitzwater

STAT 1. The Agency is fully cognizant of its obligation to practice good procurement management. However, because of our unique mission and the DCI's special authority, the Agency's procurement system is not compatible with other organizations in the Intelligence Community. Therefore, we defer to [redacted] Director, Intelligence Community Staff, to report on the remainder of the Intelligence Community.

2. In regards to reporting on our procurement system (excluding NRO), we would have no problem in reporting on such things as our initiatives to increase competition, volume of sole-source contracts, adequacy of contractor performance, contract overruns, and audit and Inspector General (IG) inspections. The more difficult, time-consuming, and resource-required items involve reporting on overhead cost control, overspecification, reverse engineering, "should cost" revenues and overpricing. A meaningful review of these items would require a dedicated task force consisting of contracting, technical, audit, legal and IG personnel, and could not be done within the time frame proposed. The HAC does not recognize the complexity or scope of the reporting that they are requiring. Nor are they considering the security implication in that the report would almost certainly require us to reveal the names of classified contractors and classified programs with the possibility of jeopardizing certain sources and methods. Also, HAC should be reminded that in the 1981-82 time frame, two HAC staffers spent approximately six months examining the Agency's procurement system and practices, including OD&E; the results of their review were positive. In addition, a GAO review of certain FY-84 year-end contract awards by the Agency was conducted and again the report was positive.

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3. Before the Congress asks the Agency to report as suggested by HAC, the following aspects should be brought to their attention:

- a. The Agency cannot report for the entire Intelligence Community.
- b. The time frame suggested for the report is unrealistic, at least six months would be required.
- c. The reporting suggested is extremely resource driven and would hamper normal day-to-day operations.
- d. The Agency's unique mission and authority make our procurement practices incompatible with the procurement systems of other government agencies.
- e. In recent investigations by HAC and GAO, our procurement methods were given high grades.

4. Ideally, it would be best if CIA could be exempt from reporting as suggested by HAC. If that is not possible, then we should ask to report the items that would put the least strain on our resources. If possible, we should try to avoid reporting on resource oriented requirements.

STAT



Harry S. Fitzwater

STAT

ORIG:AC/PMS/OL [REDACTED] (8 Nov 85)

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